

### REMARKS

In the Office Action mailed May 10, 2004, the Examiner: (i) rejected claims 1 and 12-23 under 35 U.S.C. § 112, second paragraph as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention, (ii) rejected claims 1, 5, 9, 12, 16, 19, 21, 23 and 27-30 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 6,240,399 ("Frank") in view of U.S. Patent No. 6,161,098 ("Wallman") in further view of U.S. Patent No. 5,806,048 ("Kiron"), (iii) rejected claims 2-4, 6, 13-15, 17, 22 and 24-26 under 35 U.S.C. § 103(a) as being unpatentable over Frank in view of Wallman in further view of Kiron as applied to claims 1, 5, 12, 16, 21, 23 and 27-30 and further in view of U.S. Patent No. 5,312,478 ("Reed"), (iv) rejected claims 7-11, 18 and 20 under 35 U.S.C. § 103(a) as being unpatentable over Frank in view of Wallman in further view of Kiron as applied to claims 1, 5, 12, 16, 21, 23 and 27-30 and further in view of U.S. Publication No. 2002/0069365 ("Howard"), and (v) stated that Applicant's arguments filed March 1, 2004 have been fully considered but are not persuasive.

On July 29, 2004, Applicant's representative, John L. Dauer, Jr., and the inventor, David R. Gottstein, met with Examiner Alain L. Bashore. During the interview, the parties discussed the §112 rejections and cited prior art.

### Amendments

Applicant has amended the claims to improve their readability. The amendments do not alter the scope of the claims but clarify what is already contained in the claims.

In claims 1, 12, 21 and 23, Applicant has added the phrase "at least one investment time period" and has replaced "over the dynamic taxation time range" with "over the at least one investment time period." Prior to the amendment, the last portion of these claims

required “determining and outputting from the processor to an output device a set of financial investment data, including money valuations, representing an optimal after-tax investment strategy path from a plurality of investment strategy paths over the dynamic taxation time range” (emphasis supplied). Since the output in these claims was based on “a dynamic taxation time range,” the claim element “comparative pro-forma tax sensitivity analysis” must also have been performed “over a dynamic taxation time range.” As discussed in more detail below, to improve the readability of these claims, Applicant is changing “the dynamic taxation time range” to “the at least one investment time period” and is inserting “over at least one investment time period” after “performing comparative pro-forma tax sensitivity analysis of the tax and investment data and the investment expectations on a lot-by-lot basis.”

In claim 1, Applicant removed the term “analyzed.” The term “analyzed” is found in claim 1 but not in the other independent claims 12, 21 and 23. In addition, “analyzed” is not used in any other place in claim 1. Thus, Applicant has removed the term “analyzed” from claim 1.

In claims 12-22, Applicant is replacing the term “system” with the term “apparatus” and removing the reference to “steps.” As discussed in the following section, Applicant is making this amendment to improve the readability of this claim.

#### §112 Rejections

The Examiner rejected claims 1 and 12-23 under 35 U.S.C. § 112, second paragraph as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The Examiner stated: the terms “optimal” and “strategy path” in claims 1, 12, 21 and 23 are vague and indefinite since no metes and bounds are defined for such terms, the term “dynamic” in these claims is vague and confusing as to the

metes and bounds regarding a taxation time range which is inherently dynamic, and the term “sensitivity” in these claims is vague and confusing as to the metes and bounds regarding a tax analysis. In addition, the Examiner noted that the term “system” in claims 12-22 is vague and indefinite since a system may be one of several different statutory classes of invention. For the reasons set forth below, Applicant respectfully disagrees with the Examiner’s assessment of these terms.

Applicant respectfully points out that the claim terms at issue have already been approved for use in Applicant’s U.S. Patent No. 6,115,697, which is related to the current application. The Examiner, who examined the application leading to the ‘697 patent never issued any §112 rejections and, thus, clearly understood the claim terms at issue. However, to clear up any confusion, Applicant will now demonstrate why the claim terms at issue are not vague.

The current claims describe an invention that “accurately determines the after-tax proceeds an investor could expect to have at the end of a holding period for each of a set of investment strategies involving options, and determine an optimal strategy for maximizing such after-tax proceeds.” (Application p. 1.) The claimed inventions address a number of concerns including the following:

Taxation is a significant concern to investors and others who are evaluating capital investment transactions such as buying or selling a stock. A transaction that appears to yield a certain before-tax profit may prove less profitable than anticipated after taxes are assessed. Similarly, a transaction that appears to produce a financial loss may actually prove to be less of a loss when tax-losses are offset against capital gains and the liquidated capital is re-invested.

(Application p. 1.) Thus, as described above and as described in great detail in the specification, the claimed inventions analyze tax and investment data for a specific person and specific

investment over different time periods in order to output an investment strategy that optimizes the person's after-tax proceeds from the investment.

The time periods and investment strategies are related. Both are dependent on the tax laws in effect. For example, currently the tax laws include two different tax rates on capital gains from the sale of securities: short term capital gains tax rate (*i.e.*, the tax rate on income from the sale of securities within one year of their purchase) and long term capital gains tax rate (*i.e.*, the tax rate on income from the sale of securities more than one year after their purchase). The present application accounts for the tax laws when it describes many possible strategy paths that an investor can follow when using the claimed inventions to optimize its after tax proceeds, *e.g.*, (1) holding an existing security or tax lot out to the end of a selected investment time period and then selling the investment and paying any capital gains taxes and any fees, (2) selling the existing investment now and reinvesting the resulting after-tax proceeds at some expected rate of return out to the end of a selected investment time period taking into account all taxes and other costs, or (3) if the investment has been owned for less time than is necessary in order to achieve the lower long-term capital gains tax rate, waiting until that time is achieved, and then selling the existing investment, paying any appropriate taxes and fees and reinvesting the after-tax proceeds out to the end of a selected investment time period. (*See, e.g.*, p. 13, l. 19 - p. 16, l. 13; p. 20, l. 13 - p. 21, l. 6; p. 24, l. 3 - p. 25, l. 12; p. 27, ll. 12-21; Appendix A; Figures 6, 7A-7B, 8, 12). Thus, in order to determine which investment strategy path is optimal, the current invention examines the taxes that an investor will occur at different investment time periods.

Thus, the claim term "investment strategy path" refers to the pertinent choices an investor has with respect to a decision about a current investment in an individual tax lot that the investor might own. As described in the specification, the "investment strategy paths" are the

mathematical consequences of each strategy in the form of comparative pro-forma accounting calculations that examine the after-tax proceeds for different investment time periods. As noted above, one path is to hold an existing investment or tax lot out to the end of a selected investment time period. Another path is selling the tax lot today, paying any capital gains taxes owed and reinvesting the after-tax proceeds out to the end of a selected investment time period. Yet another path is if a investment or tax lot has been held for less than a year, holding onto the investment until it reaches long-term tax status, selling it, paying any long-term capital gains taxes owed and reinvesting the after-tax proceeds out to the end of a selected investment time period. The claimed inventions analyze the after-tax proceeds created by each of these strategy paths for each prospective tax year in the selected investment time periods taking into account several facts and assumptions (*e.g.*, how many shares were purchased in a tax lot; on what date were they purchased; at what cost; what are the short and long-term capital gains tax rates for the investor; expectation of a price target achievement, dividends received, taxes owed on those dividends, brokerage fees and commissions, capital gains taxes owed upon the sale at the end of the time period). The claimed inventions will output the “investment strategy path” that results in the highest after-tax value, thus indicating that the outputted investment strategy path is optimal. An advantage of the claimed invention is investors can test the sensitivity of how much a change in any input will change the mathematical results and thus the “investment strategy path” that is output by the claimed inventions.

When the claim terms at issue are reviewed in light of the current application’s claims and specification, the claim terms are not ambiguous and are clearly defined. Starting with the claim term at issue “strategy path,” this term is actually part of the claim term “investment strategy path.” As discussed above, the application describes a number of

“investment strategy paths” that are dependent on the tax laws that are in effect. Since the current tax laws include a short term and long term capital gains tax rates, an investor will sell an investment in the short term window or in the long term window. Therefore, an investor needs to decide when to sell and what to do with the proceeds. The current claimed inventions address this concern by outputting an investment strategy that will maximize the after-tax proceeds for an investor. Therefore, “investment strategy paths” is clearly defined by the specification and is not vague.

Similarly, the next claim term at issue is “optimal.” This claim term is clearly defined by the claims themselves. All of the claims require:

determining and outputting from the processor to an output device a set of financial investment data, including money valuations, representing an optimal after-tax investment strategy path from a plurality of investment strategy paths over the at least one investment time period ~~the dynamic taxation time range~~ using the predetermined software program to optimize the after-tax proceeds on a lot-by-lot basis from the plurality of investment strategies, wherein the outputted optimal after-tax investment strategy path advises a user of optimal investments to be made, including investments involving taxable lots and derivative rights.

When this claim language is read, one can see that the term “set of financial investment data” from the above claim language represents “an optimal after-tax investment strategy path” that is determined and output “to optimize the after-tax proceeds.” Therefore, the “optimal after-tax investment strategy path” optimizes “the after tax proceeds” and, therefore, “optimal” means the highest after tax proceeds, which anyone skilled in the art would understand.

The next claim term as issue is “dynamic.” The Examiner objects to the term “dynamic” because “a taxation time range” is “inherently dynamic.” Applicant does not understand the Examiner’s statement since it is not sure how a time range, which is fixed (*e.g.*,

three years), is inherently dynamic (*i.e.*, is inherently changing over time).<sup>1</sup> However, the claim term “dynamic” is part of a larger claim term “over a dynamic taxation time range” that is clearly defined by the claims and the specification. As discussed above, the claims describe outputting an after-tax investment strategy selected from several investment strategies examined over different time periods. As explained in more detail below, the claims also require an analysis of taxes incurred at different time periods depending on the strategy with respect to the investment. Thus, the claimed inventions examine different investment strategies over different time periods. When the claim term “over a dynamic taxation time range” is read in conjunction with the other claim terms, the claim term clearly means different tax periods. However, to clarify the claims and improve their readability, Applicant is changing “dynamic taxation time range” to “at least one investment time period.”

The claim term “sensitivity” is part of a larger claim term “comparative pro-forma tax sensitivity analysis” that is well defined by the claims and the specification. “Sensitivity analysis” is a term of art that has a well-accepted meaning that is used in many disciplines. “Sensitivity analysis” means performing an analysis to determine how the outcome or result of the analysis will vary with changes in key assumptions. For example, one definition of “sensitivity analysis” states:

Sensitivity Analysis: Investigation into how projected performance varies along with changes in the key assumptions on which the projections are based.<sup>2</sup>

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<sup>1</sup> See Econterms.com definition at <http://www.econterms.com/cgi-bin/glossary.cgi?query=dynamic>. See also Bloomberg.com definition at <http://www.bloomberg.com/analysis/glossary/bfglosd.htm#dynamic> (“Dynamic: For option strategies, describing analyses made during the course of changing security prices and during the passage of time...”).

<sup>2</sup> See InvestorWords.Com definition at <http://www.investorwords.com/cgi-bin/getword.cgi?4490>. See also HomeGlossary.com definition at <http://www.yourwebassistant.net/glossary/s8.htm> (“Sensitivity Analysis: Technique of investment analysis that enables investors to determine variations in the rate of return on an investment property in accordance with changes in a critical factor, such as how much the rate of return will change if expenses rise 5% or rental income drops 10%. It’s an experiment with decision alternatives using a what-if approach.”);

When this well accepted definition is applied to the full claim term “comparative pro-forma tax sensitivity analysis of the tax and investment data and the analyzed investment expectations on a lot-by-lot basis,” one can easily understand what this full claim term means: a sensitivity analysis that uses a pro-forma financial format to calculate the after-tax impact based on variations in the data and expectations over different investment time periods.

The last claim term at issue is “system” as found in claims 12-22. These claims require “a user interface” and “ a processor” that are clearly apparatus and not steps of a method. However, to improve the readability of the claim, Applicant is changing the term “system” to “apparatus” and removing the reference to “step” in these claims.

In view of the above, Applicant respectfully requests the Examiner to withdraw the rejections under 35 U.S.C. § 112, second paragraph and allow the pending claims.

#### §103 Rejections

The Examiner rejected all the claims under 35 U.S.C. § 103 as being unpatentable over combinations of the following prior art references: U.S. Patent No. 6,240,399 (“Frank”), U.S. Patent No. 6,161,098 (“Wallman”), U.S. Patent No. 5,806,048 (“Kiron”), U.S. Patent No. 5,312,478 (“Reed”) and U.S. Publication No. 2002/0069365 (“Howard”). These rejections are the same rejections asserted in the Office Action mailed on August 25, 2003. The Applicant previously addressed these rejections in its Response to Office Action mailed on February 25, 2004. In the Examiner’s most recent office action, the Examiner stated that Applicant’s arguments have been considered but are not persuasive. Applicant disagrees with the Examiner’s explanation as to why Applicant’s arguments are not persuasive. Applicant will

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“Glossary of Analysis Terminology” definition at <http://www.cosmosm.com/support/glossary.htm#S> (“Sensitivity analysis: used to recognize the effects of a user-defined design variable on the analysis results.”), and Bloomberg.com definition at [http://www.bloomberg.com/analysis/glossary/bfgloss.htm#sensitivity\\_analysis](http://www.bloomberg.com/analysis/glossary/bfgloss.htm#sensitivity_analysis) (“Sensitivity analysis: Analysis of the effect on a project's profitability of changes in sales, cost, and so on.”).



address the Examiner's explanations and not repeat the arguments from its prior response, which the Examiner should consider to be incorporated into this response as if fully set forth herein.

With respect to Applicant's prior arguments, the Examiner provided the following explanations why the arguments are not persuasive:

The reference to Frank et al is utilized to show an optimal after-tax investment strategy path from a plurality of investment strategy paths over a dynamic taxation time range. The reference to Wallman is utilized for the lot-by-lot basis.

Frank, Wallman, and Kiron are all within the same field of endeavor – that of investment strategy.

Reed et al is within another same field of endeavor as Frank, Wallman, and Kiron – that of financial information output.

The Examiner's statements indicate a misunderstanding of these references.

With respect to Frank, this prior art reference does not disclose, teach or suggest outputting "an optimal after-tax investment strategy path" as required by the claims in the present application. As discussed in Applicant's prior Response to Office Action, Frank determines for a specified investment period, whether to put an investment in a taxable account or in a tax-deferred account (*e.g.*, 401K retirement account) in order to produce an optimal accumulation in value of the investment. (*See, e.g.*, Col. 5, ll. 40-64; Col. 6, ll. 14-64; Col. 7, ll. 19-21; Figures 7 and 8). Frank does not analyze after-tax proceeds as required by the claims of the present application nor does Frank provide "an optimal investment strategy path" that optimizes "the after-tax proceeds" as required by the claims of the present application. Furthermore, Frank only examines what type of account to place an investment in and does not examine the "investment strategy paths" taught by the present application. In addition, Frank can not provide any information regarding the "investment strategy paths" of the present

application since Frank does not examine after-tax proceeds in the fashion that the present invention does.

Another distinction between Frank and the claimed inventions arises from how the inventions can be used. Frank helps a user determine how to allocate the user's investments between taxable and non-taxable accounts. For example, depending upon the user's tax rates and rates of returns, the user might be better off putting the user's stocks in a tax deferred account and the user's bonds in a taxable account or vice versa. Frank does not assist the user once the user's assets are deployed. However, the current application's claimed inventions do. After Frank determines where the assets should be deployed, the current application's claimed inventions may be called upon to determine how to handle these investments (*e.g.*, hold or sell).

Similarly, Wallman does not disclose nor suggest the present application's claimed inventions. Wallman only assists investors in determining which combination of currently owned investments could be sold today, taking into account unrealized gains and losses, in order to generate a specific amount of after-tax proceeds based on the investment cost basis, current market prices and tax rates. Wallman assumes no expectation of future performance and makes no attempt to balance relative performance opportunities and what might be sold in order to achieve optimal, or even improved, after-tax wealth over time as the current claimed inventions do.

With respect to Wallman, Kiron and Reed, these prior art reference do not disclose, teach nor suggest, individually or in combination, the claimed inventions of the present application as discussed in Applicant's prior Response to Office Action. Wallman determines the tax consequences from selling multiple assets/liabilities by plotting a graph of potential proceeds versus potential tax consequences from the sale of each asset/liability for a current

point in time. (*See*, Col. 3, 11.35-63). Kiron discloses reporting financial information using financial reports such as pro-forma financial statements. Reed describes an information management system that organizes information into worksheets that have an array of cells. None of these references disclose, teach or suggest determining and outputting “an optimal investment strategy path” that optimizes “the after-tax proceeds” and all of the other elements required by the claims of the present application.

With respect to the Examiner’s assertion that Frank, Wallman, Kiron and Reed are all within the same fields of endeavor—investment strategy or financial information output, Applicant disagrees. All of these prior art references describe different subject matters, none of which are investment strategies found the present invention. Frank outputs what investment account (taxable or tax deferred) to use. Wallman outputs a graph of proceeds and taxes for the sale of a number of investments at the current prices. Kiron discloses reporting financial information in a pro-forma format. Reed does not have an output but discloses a spreadsheet. As can be clearly seen, the subject matters of these references are un-related and none of them relate to investment strategies. Investment strategy normally refers to a plan of attack for allocating capital among investment options that takes into account the desires of the investor.<sup>3</sup> None of these references account for the desires of an investor unlike the present application’s claims that receive either user-customized or financial adviser-based investment expectations. Furthermore, none of these prior art references have subject matter that one of skill in the art would ever consider combining to arrive at the present claimed inventions. The Examiner has

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<sup>3</sup> *See* Bloomberg.com definition at [http://www.bloomberg.com/analysis/glossary/bfglosi.htm#investment\\_strategy](http://www.bloomberg.com/analysis/glossary/bfglosi.htm#investment_strategy) (“Investment strategy: A strategy, or plan of attack, an investor uses when deciding how to allocate capital among several options including stocks, bonds, cash equivalents, commodities, and real estate. The strategy should take into account the investor’s tolerance for risk as well as future needs for capital.”).

yet to provide any cogent explanation to the contrary and should withdraw these rejections on this basis alone.

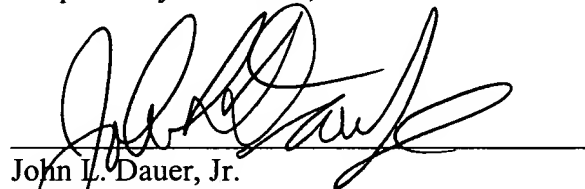
Since the Examiner has not mentioned the Howard reference, Applicant presumes that the Examiner has accepted Applicant's arguments with respect to this reference and all rejections based on this reference are withdrawn.

Therefore, U.S. Patent No. 6,240,399 ("Frank"), U.S. Patent No. 6,161,098 ("Wallman"), U.S. Patent No. 5,806,048 ("Kiron"), U.S. Patent No. 5,312,478 ("Reed") and U.S. Publication No. 2002/0069365 ("Howard"), individually or in combination, do not disclose nor suggest all of the elements of each of this application's claims.

In view of the above, Applicant respectfully requests the Examiner withdraw the under 35 U.S.C. §103 and allow the pending claims.

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Respectfully submitted,



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